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3) Prime Minister Fukuda in meeting with U.S. Ambassador Schieffer calls for U.S. caution in deciding to remove DPRK from list of states sponsoring terrorism

NIKKEI (Page 2) (Full)
June 21, 2008

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Prime Minister Yasuo Fukuda met with U.S. Ambassador to Japan Schieffer at his official residence (Kantei) on June 20. The Prime Minister requested that the United States use caution in making a decision on removing North Korea from the list of states sponsoring terrorism. "The abduction issue for Japan is crucial," Fukuda said. The Ambassador responded: "We understand how important the abduction issue is for Japan. We will do what we can to help move the Japan-North Korea negotiations forward."

4) Heated exchange between Japanese and U.S. delegates over removal of North Korea from terrorist-sponsoring list

YOMIURI (Page 4) (Full)
June 21, 2008

Akitaka Saiki, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau, briefed the Liberal Democratic Party's (LDP) Korean Peninsula Affairs Subcommittee on June 20 on the contents of his meeting with U.S. Assistant Secretary of State Hill on June 19. That afternoon, every newspaper in their evening editions had reported the statement made by Secretary of State Rice about removing North Korea from the list of states sponsoring terrorism. When Saiki appealed to Hill, "I would like you to realize how great the impact of that was," Hill explained, "When North Korea takes action, we, too, have to do something in response." Saiki then rebutted: "The content of nuclear declaration is not clear, and the method of verifying it has not yet been discussed. If pressure is removed from the DPRK, it will do nothing." "Trust between Japan and the U.S. is at stake," he said.

5) Foreign Minister Koumura indicates acceptance of separate document for DPRK's nuclear weapons information to follow North Korea's nuclear declaration

YOMIURI (Page 2) (Full)
June 21, 2008

Foreign Minister Koumura in a press conference on June 20 hinted that information regarding North Korea's nuclear weapons might not be included in that country's nuclear declaration to be presented to China, the presiding country in the Six-Party Talks. The document would include such information as the total amount of expended plutonium North Korea possesses.

Even in that case, Koumura suggested that the nuclear declaration would be accepted from the viewpoint of advancing the DPRK's denuclearization. The report is expected to be completed soon, and the proposal has come up among Japan, the United States, and the Republic of Korea to have the North present a document promising a future report regarding its nuclear weapons.

The foreign minister stated: "Even if we ease (the criteria for the nuclear declaration) there is a view that it would be better at the next stage to achieve the goal of the DPRK's denuclearization (with a report on its nuclear weapons)." From the standpoint of making

progress in the Six-Party Talks, the U.S., South Korea and other participants have softened their stance, taking the position that it would be acceptable for the nuclear weapons portion follow the nuclear declaration.

Regarding this issue, at a meeting of the trilateral delegates on the 19th, the proposal was made to have the DPRK later draft a

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second document containing a report of its nuclear weapons and a promise to eliminate the nuclear programs. The next stage of the Six-Party Talks would see the full elimination of the nuclear programs. Koumura made it clear that Japan, the U.S., and the ROK are now considering this option.

In the nuclear declaration, other than the volume of spent plutonium, there apparently would be included: 1) records of operation of the nuclear reactors; and 2) lists of materials, facilities, and programs related to nuclear development.

6) Koumura on removing sanctions of North Korea: Need for agreement on verification arrangement of reinvestigation of abductee victims

SANKEI (Page 5) (Excerpt)
June 23, 2008

Appearing on an NHK TV program on June 22, Foreign Minister Masahiko Koumura made this statement about the reinvestigation of the abductee victims that was agreed on at working-level talks between Japan and North Korea: "I would like to create an arrangement including a body of Japanese experts in order to verify the reinvestigation North Korea will carry out. As long as those negotiations make no progress, we cannot remove a portion of the sanctions now imposed on North Korea."

7) Foreign minister indicates Japan will not take part in reinvestigation by North Korea into abduction issue

MAINICHI (Page 2) (Full)
June 23, 2008

Foreign Minister Masahiko Koumura indicated yesterday the possibility that Japan would not take part in the reinvestigation into the abduction issue recently promised by Pyongyang. He said in an NHK TV program: "Some in the nation are skeptical about Japan's participation in the investigation. Their opinion is that it is undesirable to allow critics to think Japan participated in activities in an area over which Japan has no sovereignty."

Meanwhile, Koumura emphasized: "We would like to establish a mechanism whereby we can fully verify the contents of the other side's investigation." He implied that even if the investigation is conducted under the lead of North Korea, Japan will thoroughly verify its contents and that if Japan cannot judge the investigation was conducted in good faith, Japan will not partially lift sanctions against North Korea.

8) Government to remove part of the sanctions against North Korea conditioned on confirming that reinvestigation of abduction issue has really started

NIKKEI (Page 2) (Excerpt)
June 21, 2008

The government, after considering the results of the recent talks between Japan and North Korea, plans to condition removal of part of the sanctions imposed on the DPRK on the restarting of the reinvestigation by North Korea of the abductee victims. Based on the principle of action for action associated with the Six-Party Talks on the DPRK's nuclear programs, a portion of the sanctions would be removed once the reinvestigation actually starts.

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9) Excerpts from Fuji TV talk show on June 22

SANKEI (Page 5) (Full)
June 23, 2008

Appearing on the Fuji TV talk show, Hoodoo 2001, yesterday, Foreign Minister Masahiko Koumura spoke of Washington's move to delist North Korea as a terrorism-sponsoring nation, the ongoing negotiations between Japan and China on developing gas fields in the East China Sea, and Japan's relations with China and Taiwan over the ownership of the Senkaku Islands.

-- U.S. Secretary of State Rice stated in a speech that President Bush would notify Congress of his intention to take Pyongyang off the list of terrorism-sponsoring nations.

Secretary Rice has indicated that when the U.S. decides to remove North Korea from the list, it will take into consideration the state of progress in Japan-North Korea relations, including the abduction issue. It is not correct to think that (the U.S.) will no longer take progress in Japan-North Korea relations into consideration

-- Some speculate that the agreement reached in the recent working-level talks between Japan and North Korea was intended to pave the way for the U.S. to delist North Korea.

Japan asked (the U.S.) to allow it to use the delisting card to move forward Japan-North Korea relations, including the abduction issue, and the U.S. agreed to it. The question of whether Japan can use the card to promote Japan-North Korea relations and the abduction issue is now at a crucial stage.

-- It has been reported that in the working-level talks, North Korea was not positive about reaching the agreement.

Unless North Korea conducts an investigation in a way that is expected by Japan, Japan will not remove some of its sanctions.

-- Chinese Vice Foreign Minister Wu Dawei said: "Since sovereignty over the Shirakaba (Chunxiao) gas field resides with China, it cannot be called joint development."

It is an exaggeration to say that sovereignty resides with China. The note of agreement (on joint development) specifies that "both sides' legal positions will not be violated."

--The Taiwanese government led by President Ma Ying-jeou has taken a tough stance about the issue of the ownership of the Senkaku Islands.

(The Senkaku Islands) are indisputably Japan's territory in view of history and international law. Japan will continue to protect it silently.

10) SDF legislation stalled over security

TOKYO SHIMBUN (Page 2) (Abridged)
June 23, 2008

The ruling Liberal Democratic Party and its coalition partner, New Komeito, have now hit a snag in their work of outlining a

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legislative measure to create a permanent law that will allow Japan to send the Self-Defense Forces on overseas missions as needed. The LDP wants to allow the SDF to engage in security activities on their overseas assignments. In addition, the LDP also eyes easing the government's self-imposed restrictions on SDF personnel's use of weapons. However, New Komeito is strongly opposed to the LDP standpoint. The ruling coalition cannot be expected to present a bill to the Diet, and the SDF legislation is far off.

A project team of LDP and New Komeito lawmakers discussed the SDF legislation during the recent ordinary session of the Diet, and its discussion heated up on whether to allow the SDF to engage in field security activities, such as guarding or escorting personnel from

the United Nations and foreign countries, protecting their materials, and going on patrol for relevant facilities. The project team also discussed the advisability of having SDF personnel go to the help of foreign troops if and when they are under attack.

The LDP strongly insisted on allowing the SDF to conduct security activities in consideration of the fact that the SDF was actually asked to guard or escort U.N. troops engaged in peacekeeping operations. The SDF's overseas activities are currently subject to an extremely large number of restrictions. The LDP wants to make the SDF's overseas activities flexible for more opportunities to make international contributions.

However, such security activities will be accompanied by danger. Accordingly, the primary challenge is to review the government's weapons use standards. SDF personnel on overseas missions are currently allowed to use weapons in legitimate self-defense or emergency evacuation to escort those who are under their control. In addition, the SDF may also have to use weapons against those standing in its way.

Meanwhile, former LDP Vice President Taku Yamasaki, who presides over the ruling coalition's project team, has indicated that the LDP would give up on submitting the bill to the Diet in its next extraordinary session. The LDP is expecting to present the legislation to the Diet in its ordinary session next year. However, New Komeito is now in a mood to say it can no longer get along with the LDP's standpoint. It would not be easy for the two parties to find common ground.

11) Kantei to verify defense procurement

NIKKEI (Page 2) (Full)
June 23, 2008

The government is planning to set up a new watchdog body in the Kantei in the aim of verifying the Defense Ministry's procurements for the Ground, Maritime, and Air Self-Defense Forces. This is a step to reform the Defense Ministry in the wake of former Administrative Vice Defense Minister Takemasa Moriya's bribery case and other scandals involving the ministry. The newly planned body will also take part in the Defense Ministry's work of compiling midterm defense buildup plans. The Kantei will keep tabs on illegalities and improve the efficiency of budget allocations for the GSDF, MSDF, and ASDF.

A government panel established at the Kantei for reform of the Defense Ministry is expected to release a report this month, with Tokyo Electric Power Co. Adviser Nobuya Minami presiding. The panel

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will shed light on structural problems that brought about such scandals, and make recommendations on preventing recurrences.

The newly planned organization will be set up under the Security Council, which is made up of the prime minister and relevant cabinet ministers. It will also involve working-level officials from relevant government ministries and agencies and experts to discuss defense procurement, including how Japan's defense buildup will affect Japan's industrial infrastructure and Japan's relations with its neighbors.

In its report, the panel will propose setting up an intersectional team in the Defense Ministry to study procurement transparency. The focus is on how to reorganize the Defense Ministry into a mixed setup of the Defense Ministry's bureaucrats and the SDF's staff officers. Meanwhile, the Defense Ministry's reform plan includes the option of abolishing the GSDF, MSDF, and ASDF staff offices. However, the panel is expected to avoid going so far as to design such a detailed organization.

12) Asahi poll: 40 PERCENT say business conditions in local area is deteriorating

ASAHI (Page 1) (Full)
June 23, 2008

The Asahi Shimbun conducted a survey on local economies targeting business managers in 47 prefectures, in which 33 PERCENT replied, "The local economy is moderately declining," while 5 PERCENT said, "The local economy is worsening." The proportion of respondents who replied that the economy was deteriorating reached about 40 PERCENT, up 32 points from the previous survey carried out in November last year. The sharp rise in the prices of crude oil and raw materials is working negatively on already troubled local economies.

The survey was carried out between May 29 and June 16, targeting the chambers of commerce and industry and regional banks in 47 prefectures. A face-to-face survey was conducted on top executives, in which 94 persons responded. In a survey targeting 100 leading companies, carried out almost at the same time, about one-fourth of the respondents replied that the economy was deteriorating. A decline in business confidence is felt more seriously in local areas.

Regarding the view of the present state of the local economy, 28 PERCENT replied in the previous survey, "The local economy is recovering moderately." However, only 2 PERCENT gave such a reply in the survey this time. To a question as to how long the current expansion, which began in February 2002, will continue, 71 PERCENT replied, "It is already over." As factors for contributing to the determination of economic outlook (respondents were allowed to choose up to two factors), 53 PERCENT cited the prices of crude oil and raw materials.

Referring to the soaring crude oil prices, President Mitsuo Hayashi of the Aomori Chamber of Commerce and Industry pointed out, "It is a major issue in areas where agriculture, forestry and fisheries industries are active. The steep rise in crude oil prices is being felt in various ways. Fishermen are suspending fishing temporarily. There is a drop-off in demand to replace automobiles." Many stressed the impact of the blow dealt to local companies, with Hyakugo Bank President Hajime Maeda in Mie Prefecture saying, "Small and

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medium-size companies that deliver their products to major companies find it difficult to raise prices due to the power relationship." Concerning economic disparities between major cities and regional areas, 96 PERCENT said, "The disparity is increasing."

13) Ruling parties eager for cabinet shuffle, but cannot read Fukuda's real intention

NIKKEI (Page 2) (Excerpts)
June 21, 2008

With the closing of the regular session of the Diet, many lawmakers in the ruling parties are greatly looking forward to a shuffle of the cabinet. Some say that in order to improve Prime Minister Yasuo Fukuda's policy image, a cabinet shakeup is necessary with an eye on a political timetable for such issues as tax system reform and a budget compilation in the upcoming extraordinary session. The predominant view is that a cabinet shuffle should be carried out sometime between middle to late July and early August. Although Fukuda has not revealed his real intention, he will like make a decision after the Group of Eight summit in Hokkaido in July

"Managing Diet affairs is extremely tough," Fukuda said on the night of June 20, looking back on the Diet sessions, including the extra session started last fall. He also expressed enthusiasm for a long-term government, saying: "I would like to implement policies that provide the public with relief and hopes." He has, however, reiterated that he has no intention to carry out a cabinet shuffle. A senior ruling camp member said that he had tried to find out Fukuda's real intention but he had received only vague remarks from the Prime Minister.

Fukuda hinted at a shuffle of his cabinet late last year, but he never went through with it. There was a rumor in the ruling coalition that one of the reasons for Fukuda having forgone a shuffle was to send a message to Democratic Party of Japan (DPJ) President Ichiro Ozawa that he was ready to form a grand alliance

with the DPJ, according to a senior member of the Liberal Democratic Party (LDP).

However, the environment surrounding the Fukuda administration has greatly changed in the past six months. The cabinet approval rate has plunged to half of what it was six months ago to reach the 20 PERCENT level. Fukuda has now cut off all ties with Ozawa.

The Fukuda cabinet was inaugurated last September following the sudden resignation of Prime Minister Shinzo Abe. Fukuda kept on 13 members of the Abe cabinet. There is a mood in the ruling camp that it is necessary to handle such important issues as reform of the tax revenues earmarked for road projects and a review of the social welfare system, by strengthening the setup of controlling the government, taking advantage of a cabinet shuffle as leverage.

14) DPJ planning relentless series of consecutive battles for force Diet dissolution

YOMIURI (Page 4) (Excerpt)
June 21, 2008

With the de facto end of the current Diet session on June 20, President Ichiro Ozawa of the Democratic Party of Japan (DPJ) made this statement at a joint meeting of upper and lower house DPJ

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lawmakers at party headquarters: "There is a high probability that Diet dissolution and a general election will take place sometime after September and at the latest at the beginning of next year. The extraordinary session will become an important venue to lead into the Lower House election." Ozawa later at a round table discussion with lawmakers from his party explained his plan to carry out a opinion survey in late August in all the single-seat districts and based on the results, announce in early September the first list of party candidates for the election. He also indicated his desire to strengthen assistance to the official candidates by such means as financial contributions (to their campaigns). He thus set off the first blast in activating a full-fledged campaign for the Lower House election.

15) DPJ members, supporters reach record number of 270,000 as of end of May

NIKKEI (Page 2) (Full)
June 23, 2008

The number of rank-and-file members and supporters of the Democratic Party of Japan (DPJ or Minshuto) hit a record high, exceeding 270,000 as of the end of May. The party member and supporter system was launched in 2002. Those who are registered as of the end of May have voting rights in party presidential elections. Some party members view that the pension contribution record errors and criticism of the new public health care plan for elderly people have contributed to the increase in DPJ members and supporters.

The number of DPJ members reached 244,000 in 2006, when Ichiro Ozawa defeated Naoto Kan and was reelected unopposed as president five months later. The number dropped to 201,000 in 2007.

Commenting on the number of party members and supporters reaching a record high, Secretary General Yukio Hatoyama at a joint plenary meeting of party members of both houses of the Diet held on June 20 said, "Needless to say, the public pins high hopes on the DPJ. The increased membership also indicates expectations for the presidential election."

16) DPJ considering holding presidential election early

ASAHI (Page 4) (Full)
June 21, 2008

A plan to implement the party presidential election earlier than September was floated on June 20 in the main opposition Democratic Party of Japan (DPJ). The plan came up following moves calling for opening an extraordinary Diet session in late August. There is also

speculation that the plan will lead to paving the way for the uncontested reelection of President Ichiro Ozawa for a third term. The party has been split between a group favoring the uncontested reelection of Ozawa and others wishing to develop policy debate in a full-fledged election.

Azuma Koshiishi, chairman of the DPJ caucus in the House of Councillors, referred in a meeting on June 20 for the first time to the possibility of carrying out the leadership race earlier than planned. He stated:

"I wonder whether the next regular Diet session will be convened in late August or not. Our presidential election will be held in

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September. If possible, the election should be held earlier than the opening of the extra Diet session."

Koshiishi was reelected in early this month in his post, term of which runs two years, for his third term. He is now considering the executive lineups.

He sees that the number of executive posts that the DPJ Upper House caucus will occupy will increase with the next House of Representatives election in mind. Therefore, unless the DPJ starts the selection of the executive members soon after the leadership race before the extra session, it will be unable to make arrangements for the extra session.

The government and ruling parties will move up the convocation of the extra session to late August. The DPJ presidential election rule stipulates that an election should be carried out within 30 days before the term of the presidency expires. So, it is possible to implement the upcoming election earlier than the planned September date if it is approved in the meeting of the lawmakers from the two Diet chambers.

The reason for the DPJ placing importance on the extra session is that it considers it as the battle field prior to the next Lower House election. In the meeting on June 20, Ozawa urged his party members to unite, saying: "The extra Diet session in the fall will become important for the general election." In a meeting of the party's Lower House members later in the day, he explained that the party would conduct an opinion poll in August on the prospective candidates for the next Lower House election and would decide in September the first selection of candidates. Besides Koshiishi, a senior DPJ Upper House member said: "It is rational (to hold the presidential race) before the Diet session starts. We should attend the extra session after picking the leadership lineup. A senior Lower House member, who has close ties to Ozawa, made this comment: "Many party members think that the presidential election should be held before the opening of the extra session."

17) Appeal court rejects claim by DPJ President Ozawa that real estate worth 1 billion yen belongs to political support organization, Rikuzankai

SANKEI (Page 3) (Abridged slightly)
June 21, 2008

Reacting to the weekly magazine Shukan Gendai's report that Democratic Party of Japan (DPJ) Chairman Ichiro Ozawa has amassed secret assets, Ozawa filed a defamation of character lawsuit against the publisher Kodansha demanding compensation, claiming that the real estate in question was not his personal asset but belongs to the Rikuzankai, his fund management organization. However, he lost the case on June 4. In this connection, the Sankei Shimbun learned on June 20 that the adjudication handed down by the appeal court noted that it is impossible to determine that the assets belong to the Rikuzankai.

Regarding the Rikuzankai, too, the court ruled that it is unclear whether there are enough details of the actual operations regarding the organization so that it can be determined that it is an unincorporated association. This is because third parties are not given opportunities to know how the organization is operated.

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Touching on the Rikuzankai having purchased 13 pieces of real estate worth 1.02 billion yen in Tokyo and other areas and that the assets are registered in his name, Ozawa at a press conference held in February last year had insisted, "I as an individual have no ownership rights to those assets." As the reason that those assets are registered in his name, Ozawa explained, "A political organization, which is an unincorporated association, is not allowed to register assets in its name. Such an organization must register assets it owns in the name of an individual."

SCHIEFFER